

Exploration Strategy 2019

Dear shareholders,

Kincora Copper (KCC) has the dominant land position and is undertaking the first modern systematic district scale exploration in the Gobi region of south Mongolia centred on the drill ready Bronze Fox and East Tsagaan Suvarga (ETS) projects. This portfolio is what attracted me to lead Kincora's executive exploration strategy, having done similarly for BHP's regional exploration activities in this belt in the mid-late 2000's, but now working closely with John Holliday who also joined at this time as chairman of the Technical Committee, with a very strong locally based team ([refer Nov'16 press release](#)).

Reinterpretation of existing data (including relogging, and block model analysis, of >24,000 metres of drilling at Bronze Fox), the acquisition of additional geophysical data (IP, gravity & magnetics at both projects) and first phase drilling at ETS under the watch of the current Technical Team over the last two and a half years have advanced both projects significantly resulting in new and exciting geological targets.

All data has collectively been iteratively interpreted in a technically rigorous workshop format by the Kincora in-house technical team with appropriate involvement of specialist consultants of their respective field and advisors to the technical committee. This has ensured that quality targets have been identified and prioritised for drilling, with a detailed multiple target, multiple phase drill programs budgeted at Bronze Fox and ETS (and fully permitted).

These targets sit in the "*target testing*" to "*advanced drilling*" phases of a projects development, which for copper porphyries offers the maximum uplift in project (and shareholder) value (link to an illustration of this [value curve](#) and [project pipeline](#)). These targets, for their respective stages of exploration, are considered "*as good as you get within a global setting*". Confirmation of our geological models with positive results from the proposed drilling have the potential to demonstrate, and in time, elevate both projects to Tier 1 or world-class status.

Bronze Fox

Bronze Fox is a large porphyry Cu ± Au system within Carboniferous age intrusions, that also hosts the Kharmagtai deposit to the west in the same belt, and was retained by Ivanhoe and excluded from the JV with BHP. Historical (multiple) licence access issues (then the IBEX transaction, then funding) have in the past prevented the project being systematically advanced.

After securing funding in late 2017, the new Technical Team undertook a detailed review of Bronze Fox including appointing an external consultant to complete a block model to better understand grade and tonnage curves, and assist provide parameters for future exploration. The resulting exploration target ([refer Jan'18 press release](#)), was significantly larger than internal expectations. However, more importantly, it identified a key lithological relationship with higher grades within the interpreted preserved (and younger) monzodiorite intrusion across a key regional fault that bisects the Bronze Fox intrusion, with the majority of prior drilling and exploration having taken place within the eastern granodiorite (the latter interpreted to be an

eroded part of the porphyry system).

Systematic exploration in the last 12 months since have included:

- the relogging of 24,139 metres of core (providing specific gravity samples needed for a NI-43-101 compliant resource and gaining maximum knowledge of previous drilling);
- new surface coverage (mapping, soils and pan concentration sampling survey's);
- new Induced Polarisation program by a leading internal group (SJ Geophysics);
- full geophysical reinterpretation by my former BHP colleague, Barry de Wet; and,
- detailed workshopping of results and next steps to systematically advance the project.

The primary value driver for KCC is to now advance our geological concepts for Bronze Fox proving the potential for considerable higher-grade mineralisation and strike potential to the west and/or below the focus of the majority of previous (and limited) drilling. There are two areas to the western of a now understood key regional fault which limited previous drilling and more advanced geophysics supports being the key mineralisation event of this extremely large system – these areas are currently called West West Kasulu and the Western (Southern) trend.

1. **West West Kasulu:** At the West West Kasulu target on-section, infill and extension drilling is expected to result in further high grade mineralization and over larger intervals around existing high grade (+1% copper) intersections such as that in drillholes F62, F57, and F85 – noting these are three of the only four holes drilling by Kincora (and within 6 months of securing this ground).

Two new IP survey's completed (2013 & 2018) since the last drilling by Kincora within this target have identified several chargeability targets, which are considered to be associated with the prospective monzodiorite host intrusion which is interpreted to be preserved. Access to and interpretation of new magnetic and gravity data also supports the main intrusive being to the west of the regional fault (supporting the IP), in the monzodiorite intrusion, and provides a coincident target with the IP. The extent of outcropping mineralisation to the east of the fault in the eroded granodiorite was a obvious area that has drawn previous explorers attention and we feel mislead attention away from the highest priority areas of what is clearly a very extensive mineralized footprint and system.

Previous limited drilling has inadequately tested less than 260m of the >1.5km identified preserved monzodiorite target zone at West West Kasulu. For example hole F62, drilled away and over the top of/periphery of the target zone (both based on lithology/rock type and also geophysics), yet returned 13m of 1.15% Cu or 1.41% CuEq, within 37m at 0.83% Cu or 1.04% CuEq and 794m at 0.40%CuEq¹. A scissor hole to F62 (the proposed first high priority hole of the 2019 drilling program) will for first time test the strongest and core chargeability high zone coincident with the deep seated magnetic low at Bronze Fox, drilling into the monzodiorite zone (not away) which supported the 37m at >1%CuEq intersection. Subsequent high priority and provisional holes are designed to advance the strike potential away from the fault to the west and designed to (if successful) significantly increase in both overall tonnes and grade, and hence value, of the deposit.

Before and during the 106-license dispute, which sterilized the western monzodiorite target

zone, Kincora had 14 NDAs with industry groups, an offer for the Company and a separate period of exclusivity (the latter after relogging 8000 metres of core understood the in dispute western license was needed to advance the project).

Drilling is proposed to initially commence at the West West Kasulu target zone seeking to confirm our geological model and generate more favourable results to market than that which supported Kincora having a C\$40-50 million market cap (before the 106-license dispute), with Xanadu's flagship Kharmagtai project (76.5% interest) also supporting an attractive current market valuation peer.

- 2. Western Trend (South):** Drilling at the Western trend target is to test the southern concealed part of the monzodiorite intrusion (>2km strike), coincident with a large chargeability high/demag zone, and discrete surface anomalies (mapping, soil and pan concentration sampling in 2018). This prospect has potentially a larger target zone than West West Kasulu, but with more limited drilling. The only hole drilled by Kincora, F55, returned encouraging alteration and mineralization (with bornite) in the monzodiorite intrusion. Previous drilling by another group was restricted to 100m depth due to only have a 100 metres of RC rods with some encouraging results towards the base of these holes, with subsequent geophysics indicating drilling failed to reach the needed depth.

Similarly to F62, our reinterpretation (based on the block model, relogging of drill core, two sets of new IP survey's, new magnetics and time to integrate all geology and geophysics) is that F55 was also drilled the wrong way, with proposed drilling in 2019 to correctly test the higher-grade and significant strike potential to the west in the interpreted preserved monzodiorite.

East Tsagaan Suvarga (ETS)

The ETS project is located approximately 10-15 kms to the east of the Tsagaan Suvarga porphyry Cu/Au mine, which is under development on the western margin of the Tsagaan Suvarga Intrusive Complex on a transverse structure. Tsagaan Suvarga has had >US\$370m invested to date and is forecast to produce 316,000t Cu and 4,400t Mo pa.

Importantly, the Tsagaan Suvarga deposit is hosted in Devonian age rocks, which also host the Oyu Tolgoi cluster of deposits, the latter that includes the high grade Hugo Dummet and Heruga mineralization within a preserved porphyry and down faulted setting. Kincora's concept is that Hugo &/or Heruga style mineralization may be present beneath the younger cover in the ETS tenement in a preserved porphyry setting and favourable structural setting. This is supported from being on the eastern margin of the same Devonian intrusive complex as Tsagaan Suvarga, first phase drilling and subsequent encouraging geophysics.

It must be noted that despite Tsagaan Suvarga being the only other confirmed Devonian porphyry deposit in the south Gobi, and the unique scale of Oyu Tolgoi mineralised system across a 26km structurally controlled trend (such a size that it supports a 100 year+ mine life being the worlds third largest copper mine), no regional drilling of note has been previously undertaken at the Tsagaan Suvarga Intrusive Complex. Due to the extent of the outcrop (i.e. the eroded porphyry), Tsagaan Suvarga was an identified copper system by the historic surveys with historic drilling targeting only the shallow mineralised system associated with the outcrop.

The current owners of the open pit secured the project, undertook confirmatory drilling and studies before commencing construction. This group has undertaken no regional drilling of note. Kincora is the first seeking to find the “Hugo” in this brownfield and effectively virgin intrusive complex – hence the significant interest shown by the copper/diversified majors who understand the belts (and Oyu Tolgoi’s) geology and chorological considerations.

At ETS during the due diligence phase of the IBEX merger, Kincora identified discrete outcrop and sub crop. Age dating, fertility analysis and follow up mapping/soil sampling provided encouraging results, confirming the Devonian complex and some background mineralisation. Interpretation of a maiden magnetic survey by Kincora at ETS in late 2016 identified a number of structurally controlled potential intrusions at depth beneath the unconsolidated Cretaceous cover sediments. A drilling program was designed and implemented to test a number of these features. The drilling confirmed that the Tsagaan Suvarga Intrusion Complex was present beneath Cretaceous and in some cases Carboniferous age volcanics and sediments – the latter supporting our preserved porphyry model and potential for a “Hugo” type system. This “to basement” first phase drilling was very important to confirm a the brownfield status of ETS, confirm targets are moderate and explorable depths, and understand the cover sequence in order to get follow up geophysics right, which if successful, would yield high quality targets, which layered with first phase drill results, would support at maiden target testing program. A discovery during phase one “to basement” drilling would have been good luck, not good science.

Subsequent infill magnetics, maiden gravity and a deep penetrating IP survey by SJ Geophysics using state-of-the-art equipment and processing was completed to accurately penetrate through the often-conductive cover sequences. Intrinsic high quality data was generated which was reinterpreted together with geophysical and geologic datasets using methods including Self-Organising-Map (SOM) analyses coupled with first principals of IP, resistivity, magnetics and known drilling/geology. A number of compelling drill targets have been generated from our systematic exploration approach. Importantly, a range of targets have been identified based on various geophysical parameters e.g. a combined chargeability and magnetic amplitude high may represent the mineralized sulphide and magnetite rich potassic core of a porphyry Cu/Au system, whereas a combined chargeability high and magnetic amplitude low may represent Cu-sulphide bearing mineralization within magnetite destructive alteration such as advanced argillic alteration, which is an important feature in the Hugo deposit.

Global perspective

The last phase of district scale exploration in the south Gobi, lead by Ivanhoe in the 2000’s, yielded globally significant results. According to S&P Global Market Intelligence data over the decade 1997 to 2007 discoveries in this belt accounted for 9% of contained metal discovered globally ([refer Figure 6 in our discussion on the history of the Southern Gobi copper belt](#)). This, coupled with the strategic location to China and favourable conditions for exploration/development (eg flat, sparely populated desert etc.) made it almost mandatory for the copper and diversified majors to review and seek an entry into this underexplored belt.

The legislative environment (including a Windfall Profit Tax, 106-license dispute and amount of exploration license tenure available etc.) coupled with the commodity cycle has impacted

exploration in this belt since that period where Ivanhoe and BHP were active. Over this subsequent period there have been significant advances in both exploration techniques for porphyries, and the understanding of the regional geology and controls on mineralization.

At the moment exploration efforts are largely limited to some postage scale level exploration activities of Rio Tinto (on Oyu Tolgoi/Turquoise Hill Resources, Entrée and Rio Tinto owned licenses), Xanadu Mines (best results to date in the last 6 months at Kharmagtai), a foreign private group (owners of the Ikh Shankh lithocap project) and Kincora (as discussed, commencing the first modern systematic district scale exploration in this belt).

Again referencing the S&P data, success at either of Bronze Fox and ETS would likely support the first significant copper discovery on a global scale since 2014 (SolGold & Ivanhoe).

Project generation function

In order to acquire, test, and turn over other projects, noting that since the IBEX merger Kincora has reduced its ground tenure from >1500km² to <800km², a Project Generation strategy has been implemented by Kincora to identify other opportunities within Mongolia, focussing on copper and gold as key commodities.

Four separate belts have been prioritised and individual mineral deposits and prospects within these belts identified and field visited. Given the current tendering system place for exploration licences in place in Mongolia, Kincora has to date focused on prospects within granted tenements. This strategy is ongoing with a team that has previously led such activities in Mongolia for BHP, Vale, Teck and Trafigura, and benefit from extensive proprietary knowledge and relationships.

The ability in a couple year period to have secure the ETS ground (via the IBEX merger), advance these targets and now looking to drill for the equivalent preserved high grade Hugo or Heruga orebody, or series of orebodies, as at Oyu Tolgoi within the brownfield Tsagaan Suvarga system, where no previous drilling has occurred for such a target, is testament to the unique project gen opportunity for Kincora.

Since securing the funding in late 2017, Kincora has become the foremost international group pursuing further counter cycle expansion opportunities in Mongolia.

In summary, Kincora has a team that has been key contributors to a number of tier 1 and other major copper discoveries and seen the value this creates.

We understand the geological and legislative opportunities and risks in Mongolia.

We are undertaking an exploration approach that would be employed by any of the majors and now looking to drill a number of exciting targets refined over years of systematic exploration efforts.

Like other members of the team, I am a Kincora shareholder, receiving the vast majority of remuneration in equity, have kept patient as corporate headwinds were addressed in 2018, and

am excited to see Stage 2 and target testing drilling, which has now commenced this field season.

Sincerely,

Peter Leaman

Senior VP of Exploration

Kincora Copper Ltd.

2019Drilling

¹ *Bronze Fox: Refer to the following press releases for further project details, activities completed and disclosures for stated intersections and copper equivalency:*

<https://www.kincoracopper.com/news/press-releases/11-2018/66-kincora-announces-new-high-grade-targets-at-bronze-fox>

<https://www.kincoracopper.com/news/press-releases/11-2018/19-large-copper-gold-porphyry-target-quantified-at-bronze-fox>

<https://www.kincoracopper.com/news/press-releases/12-2017/22-kincora-appoints-consultant-to-review-previous-bronze-fox-discovery>

Qualified Person

The scientific and technical information in the aforementioned news releases and discussion was prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and was reviewed, verified and compiled by Kincora’s geological staff under the supervision of Peter Leaman, Senior Vice-President of Exploration of Kincora Copper, who is the Qualified Person for the purpose of NI 43-101.